BOOK REVIEWS

Outlines of Economics. By RICHARD T. ELY. (Revised and enlarged by the author, THOMAS S. ADAMS, MAX O LORENZ, AND ALLYN A. YOUNG.) New York: Macmillan, 1908. Pp. xiii+700.

In the present very unsettled state of opinion with respect to economic principles, it is too much to expect that any textbook on the subject will give universal, or even general, satisfaction. The book before us, however, seems to stand a much better chance of reaching this goal than any of its recent predecessors. In the first place, while utilizing much that is new, it makes no radical departure from the old lines in fundamentals, such as the distinction between land and capital, the real nature of capital, the expense theory of value, and so on. We are not offered a book for beginners almost wholly built up around a single revolutionary doctrine which most of us look on as anyhow not yet established. Again, the blending of new and old here given to us is not attained by adopting a shallow electicism which results in a confusing patchwork of inconsistent doctrines. Still another point of superiority in this book, at least as compared with that one of its rivals which on other grounds stands best, is its more practical, concrete tone, its more temperate indulgence in semi-metaphysical subtleties, especially the relatively small use it makes of the ideas and dialectical apparatus of the Austrian school.

A feature of the book to which, in view of Professor Ely's well-known predilections, one is inclined to give appreciative comment is its general sanity on most of the burning questions. The chapters discussing money and socialism, in particular, are notably moderate in tone and at the same time really excellent on other grounds.

As respects the general plan of treatment, Professor Ely and his collaborators follow in the main the traditional lines, save that they devote to industrial history some fifty or sixty pages which could far better be used in giving a descriptive account of industrial structure. Such an account would furnish the student with that knowledge of the concrete side of economic matters which is manifestly much needed and yet is too frequently lacking with the typical college boy. One feature in the general plan of treatment which appeals strongly to the present writer is the fact that a quite full treatment of "exchange" is given before "distribution" is taken up. I have never been able to understand how a teacher of economics who considers "distribution" to be chiefly a problem of value—and this is the attitude of most of us—can bring himself to undertake its treatment before he has presented a thorough discussion of "exchange."

The work of course has its defects. The importance of precision and logical rigor in definition and reasoning can doubtless be exaggerated; but one cannot help feeling that Professor Ely and his collaborators might well have taken a little more pains in these respects. The definition of exchange value, namely, "the exchange value of a good is a quantity of other goods that can be obtained for it" (p. 157), is not satisfactory. Such a method of expression confuses the *definition* of value with a *statement of the quantity* of value. Again, it seems undesirable to identify subjective value and marginal utility.

Marginal utility may be, often is, the cause and determinant of subjective value; but it is not the same thing as subjective value.

Another definition open to criticism is that of "vested rights" on p. 22, as "pecuniary interests which are legally recognized to be such that they cannot be impaired by public action without indemnification." This is putting into a definition a proposition with respect to the thing defined which many people believe to be true, but which, whether true or false, forms no part of the definition. Vested rights probably ought not to be impaired without indemnification. But they would still be vested rights even if society should decide otherwise.

Turning to the matter of logical rigor and consistency in reasoning, one finds it difficult to reconcile the statement on p. 223, which implicitly defines the standard of value as that which "fixes the value of the dollar," with the denial on p. 242 that the greenback was the standard during the suspension of specie payments. The fact that "the value of the greenback dollar was the value of the gold dollar discounted according to the outlook for the ultimate redemption of the greenbacks in gold" has no bearing on the case. The value of the greenback dollar, however determined, *fixed the value of the dollar,* and hence it was the standard.

Again, the reasoning on p. 219, where it seems to be contended that the maintenance of a standard coinage from which a seigniorage is regularly deducted is theoretically impossible, is unsatisfactory. Of course no one wants such a coinage, and during the ages when it was in vogue the task of maintaining it proved well-nigh impossible. But one finds it hard to believe that failure is inevitable on theoretical grounds. Doubtless the overrated coins would have to be worth more than the bullion in them and that, too, wherever they were used. But this simply means that they would not be used at all where they would have to pass as bullion, i. e., in foreign trade. Exchange houses would pay foreign balances in gold bullion exclusively, buying that bullion with coin just as in greenback days they bought it with fiat paper.

Another passage which seems to show some confusion of mind is one on p. 159 which contains a summary rejection of the classic doctrine that competitive prices are natural and right prices—the ground of this rejection being that competitive prices are determined under the conditions fixed by such fundamental institutions as private property in land and capital and, hence, to affirm the legitimacy of competitive prices is to assume the legitimacy of the said fundamental institutions. Now this is a confusing of two quite different things. *The distribution of income* in the present order is obviously influenced in a very fundamental way by the institutions alluded to. But *prices* furnish another story. Many of us consider it comparatively easy to prove that even under a socialistic order, with private property in land and most capital goods entirely shut out, prices would have to be determined at substantially the same relative points as they are today.

Another position taken by Professor Ely, which seems to the present writer quite untenable, is that Marx held to the labor theory of value only in the sense that relative values *ought* to be determined by relative labor costs. Not to emphasize the patent disregard of Marx's own statements, as literally interpreted, such a reading takes away the whole theoretic point of capital. The

heart of Marx's indictment of the present order is his surplus-value theory of profits—actual profits; and this theory of profits he builds on the labor theory of values. But it surely is obvious that the only theory of values which can be of use in explaining actual profits is one which itself explains the values now existing, not those which ought to exist.

In general, however, this book seems to the reviewer much the best of those available for a general course in schools of collegiate or university grade.

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The Origins of the British Colonial System 1578–1600. By G. L. BEER. New York: Macmillan, 1908. 8vo., pp. vii+438. $3.00.

The pleasure afforded students of colonial economic history, on the announcement of another book by the author of *British Colonial Policy 1754–1765*, will be further increased on reading in the Preface of the new volume that this is "the first of a series whose purpose is to describe and explain the origins, establishment, and development of the British Colonial System up to the outbreak of the disagreements directly culminating in the American Revolution." The task thus set, as the author points out, involves a study of the underlying principles of English colonial policy, especially as expressed in the laws of trade and navigation; the English fiscal system; the economic life and legislation of the colonies; the administrative machinery for enforcing the laws and its efficacy; and finally, the contemporary political conditions generally.

The point of view taken by the author, as may be surmised by those familiar with his previous work, is that of the British Empire. In the ideal of those who were trying to develop a great, powerful, self-sufficient empire he finds the key to a proper understanding of Great Britain's colonial system. It was this ideal which furnished the fundamental motive of the system, and a failure to appreciate this fact inevitably means an inability either to comprehend the system or properly to pass judgment upon it. Writers, especially those in this country, undoubtedly have too long overlooked or failed fully to appreciate this side of the issue, and we are under no slight debt to Dr. Beer for the admirable way in which he is developing it.

As the author sees it, the movement to colonize America was essentially economic in character. England, in sanctioning the movement, accepted the responsibility of defending these possessions, and thus justly expected a return, since at this time colonies, in so far as they took away population, tended to weaken England. The compensation which England received in return came through the trade of the colonies, and the British colonial system was simply the body of regulations enacted to make sure that this advantage accrued to England instead of her foreign rivals. In short, the system was not one of pure exploitation of the colonies solely for the benefit of England, but rather one of mutual benefits and reciprocal duties on the part of both the colonies and the mother country: the colonies received protection and in return submitted to a regulation of their commerce, while England undertook the burden of defense and was compensated by her control over colonial trade. On this plan they were trying to build up a great self-sufficing empire.

In his study of the early development of this system the author naturally